



**Board of Directors Special Meeting Agenda**  
**Fort Worden Lifelong Learning Center Public Development Authority (FWPDA)**  
**Wednesday, June 2, 2021 | 9 a.m.**  
**Via Zoom (Remote Meeting Per Governor Inslee’s Proclamation 20-28)**

**To join the webinar by computer/web:**

<https://zoom.us/j/93628200526?pwd=ZzJiSGdocVdwRGg2L3B6VTlFVjAvUT09>

**Phone only dial:**

1+253-215-8782

Meeting ID: 936 2820 0526

[No Participant ID – #]

Passcode if needed: 110366

*\*9 to raise hand to speak*

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**Public Meeting Agenda**

- I. Call to Order
- II. Roll Call/Introductions
- III. Public Comment (limited to Special Meeting agenda topics)
- IV. Fort Worden Hospitality Update and Resolution 21-03 re Fort Worden Hospitality Concession Agreement
  - A. Staff Report
    - Fort Worden Hospitality Terms and Concession Agreement (*packet*)
  - B. Board Discussion

**Action:** Motion to approve Resolution 21-03 authorizing the Executive Director to execute a Concession Agreement with Fort Worden Hospitality in substantially the form of agreement presented and to make non-substantive changes that do not materially alter the agreement presented to the Board on May 26, 2021, including changes in the form of agreement presented at the June 2, 2021 special meeting.
- V. Fort Worden Foundation Memorandum of Agreement (*packet*)
  - A. Staff Report
  - B. Board Discussion

**Action:** Motion to authorize the Executive Director to execute the Memorandum of Agreement with Fort Worden Foundation, Makers Square Master Tenant, LLC, Makers Square Landlord, LLC, and Makers Square Manager, LLC substantially in the form presented to the Board at a special meeting on June 2, 2021, and to make non-substantive changes that do not materially alter the Memorandum.
- VI. Next Regular Board Meeting: Wednesday, June 23<sup>rd</sup>, 9 a.m.
- VII. Adjourn

**RESOLUTION NO. 21-03** *[proposed/6.2.21]*

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FORT WORDEN  
LIFELONG LEARNING CENTER PUBLIC DEVELOPMENT AUTHORITY  
AUTHORIZING AND DIRECTING THE INTERIM EXECUTIVE DIRECTOR TO  
EXECUTE AN AGREEMENT WITH FORT WORDEN HOSPITALITY TO MANAGE  
AND OPERATE HOSPITALITY SERVICES AND FACILITIES AT THE FORT  
WORDEN CAMPUS**

**RECITALS:**

- A. This Resolution of the Board of Directors of the Fort Worden Lifelong Learning Center Public Development Authority (Fort Worden Public Development Authority, or FWPDA) authorizes the Interim Executive Director to execute a concession agreement with Fort Worden Hospitality, a WA nonprofit corporation, to manage and operate hospitality services and facilities within the Fort Worden campus.
- B. The FWPDA's charter, adopted in September 2011, specifically directs the FWPDA to undertake, assist with, and facilitate the implementation of a Lifelong Learning Center at Fort Worden State Park consistent with the 2008 Fort Worden Long Range Plan, and to develop the necessary agreements and partnerships for the use, operation, management, and development of State-owned facilities and properties within the Park.
- C. The FWPDA's master lease with Washington State Parks establishes that the FWPDA, as tenant, shall use the campus for "purposes consistent with a Lifelong Learning Center" as articulated in Parks planning documents, and that "such uses may evolve and change over time while remaining focused on uses consistent with a Lifelong Learning Center concept." The lease further states that the tenant "shall promote the use of the Campus facilities for nonprofit, government and corporate events, meetings, workshops, seminars, and conferences even if such promotion and use is not the highest and best market use and may reduce the overall net revenues (due to discounted lease or conference rates); provided, however, Tenant shall also actively promote, market, and make available the facilities for independent travelers, family retreats, and other users."
- D. Beginning in the spring of 2020, COVID-19 and resulting emergency public health measures directed by the State caused the closure of hospitality and accommodation services at the Fort for approximately 4 months. Facing cash deficit conditions as a result of COVID-19 impacts on business and the use of capital monies for operations, the FWPDA's Interim Executive Director and Board of Directors began reviewing the long-term sustainability of the current operating model, which was not producing revenue sufficient to address capital and maintenance needs on campus.
- E. At the November 25, 2020 FWPDA board meeting, the Interim Executive Director presented a draft reorganization concept that included the creation of an entity that would operate as an enterprise service provider for all food/beverage/hospitality services under a long-term agreement with the FWPDA. The presentation proposed that structural changes would address challenges with the FWPDA's current role as a public entity

running a hospitality business. He stated that the current model is unsustainable with projected ongoing budget deficits.

- F. At the December 9, 2020 FWPDA board meeting, the Interim Executive Director presented the “FWPDA Recovery and Reorganization Plan” and recommended that the FWPDA reorganize to develop new opportunities to restore and acquire revenues to support expenditures and continue hospitality services. The presentation stated that for the continuity of campus services, the FWPDA needs to pivot to a new model to be prepared for the post-COVID environment. The plan built on the presentation at the Board’s November 25, 2020 meeting for the formation of a new entity to operate hospitality services under a long-term franchise agreement. The new entity would allow a board composed of hospitality experts to focus on hospitality, limit constraints on customary hospitality practices stemming from being operated by a government entity, separate routine maintenance needs from capital needs, and help create long-term sustainability for campus services.
- G. The Interim Executive Director advised at the meeting that the plan represents in his opinion the only way forward for the FWPDA to ensure long-term viability of hospitality operations and lifelong learning opportunities, and the viability of the Fort as a whole for the benefit of its partners, the community at large, and the state. Separating hospitality services from asset management services allows a hospitality entity to focus on hospitality services, and work with partners on those issues to the benefit of the partners and community, and better fulfill that portion of FWPDA responsibilities under the master lease. At the same time, the FWPDA can focus on asset management to more effectively find the constituents, tax benefits, and investment to enhance and rehabilitate those assets, and therefore be in a better position to fulfill that portion of FWPDA responsibilities under the master lease.
- H. On December 9, 2020, the FWPDA Board adopted Resolution 20-21 approving the reorganization concept outlined in the “FWPDA Recovery and Reorganization Plan,” subject to Board approval of implementing measures and actions presented in the future by the Interim Executive Director, and directing the Interim Executive Director to take initial steps to implement the reorganization as outlined in the plan.
- I. On December 16, 2020, the FWPDA Board, on recommendation of the Interim Executive Director and legal counsel, amended Resolution 20-21 to replace references to a “not-for-profit limited liability corporation (LLC)” with a “nonprofit corporation” as the best legal structure for the new hospitality service model, citing that Washington State RCWs offer more and better guidance for nonprofits.
- J. Authorized reorganization steps include 1) filing for the creation of a nonprofit corporation that, once formed and organized with a new board, would enter into negotiations with the FWPDA for a long-term agreement to operate hospitality services at the Fort, and 2) if appropriate, transferring on a short-term basis (not to exceed one year) hospitality services operations to the new nonprofit corporation, pending long-term agreements that would be subject to future Board approval.

- K. The Interim Executive Director filed articles of incorporation for Fort Worden Hospitality as a Washington Nonprofit Corporation with the Secretary of State, effective December 22, 2020, with the mission stated as: “Fort Worden Hospitality welcomes visitors to a treasured state asset -- Fort Worden State Park and Lifelong Learning Center. We connect people to the park's resources: the lifelong learning center campus; the cultural, educational, artistic, environmental, and recreational programs offered by the park's partner organizations; and the trails, beaches, and historic batteries. We also provide hospitality packages; meeting and event spaces; food services; and lifelong learning programming.”
- L. At the January 27, 2021 board meeting, the Interim Executive Director and FWPDA hospitality staff presented a 2021 budget outlook. The Interim Executive Director stated he would be working with FWPDA staff and an informal hospitality advisory team to review budget projections and operational issues. The outlook presented an overview of a Hospitality board with extensive hospitality and/or financial management experience, and anticipated operational changes and forecasting for leisure, group, and restaurant activity and proposed that Fort Worden Hospitality formally separate from the FWPDA on July 1, 2021.
- M. At the meeting, the Interim Executive Director stated he had reviewed the concept for a separate entity operating hospitality services with Gerry Johnson (Pacifica, Seattle), an attorney with expertise in public development authorities, who advises there was no legal issue with the concept.
- N. At the meeting, the Interim Executive Director also stated he had reviewed the concept and projections with representative of the State Auditor’s Office, and they had no audit or legal issues with the concept.
- O. At the February 24, 2021 board meeting, the Interim Executive Director and FWPDA hospitality staff presented for discussion 1) a draft concession contract term sheet that outlined hospitality services to be provided and 2) a Fort Worden Hospitality Business Plan for 2021-2022 that included a five-year pro forma. The board voted to authorize the board co-chairs and Interim Executive Director to negotiate the terms of a Hospitality Concession Contract and bring a formal proposal to the board in March.
- P. At the March 24, 2021 board meeting, the Interim Executive Director and FWPDA hospitality staff presented an updated draft term sheet and draft concessionaire agreement between the FWPDA and Fort Worden Hospitality to commence July 1, 2021 for 25 years. The draft agreement was modeled on a WA State Parks concession agreement template. The draft terms noted that Fort Worden Hospitality would fulfill all terms of public benefit in the FWPDA’s master lease with State Parks and provide public reports for operational transparency.
- Q. At the March 24 meeting, the Interim Executive Director reported to the board that the hospitality advisory team has been analyzing history, trends, and projections and has concluded that Fort Worden Hospitality’s business model is viable and sustainable.

- R. At the March 24, meeting FWPDA board member and treasurer Jeff Jackson, with extensive background in hospitality businesses, and who has been reviewing hospitality projections and providing advice to the Interim Executive Director, concurred with the Interim Executive Director’s recommended approach because it best meets the goals of sustainability in both hospitality and asset management areas.
- S. At the March 24, 2021 meeting, the FWPDA board authorized the Board Co-Chairs, Interim Executive Director, and FWPDA attorney to incorporate the draft terms as presented into a Fort Worden Hospitality concessionaire agreement and provide a final draft with a minimum 7-day public notice of a special board meeting to consider final adoption by the FWPDA board.
- T. At its April 28, 2021 meeting, the FWPDA board accepted the Fort Worden Hospitality draft concession documents as substantially consistent with the draft terms previous presented to the Board, and approved a first reading of the concession contract with final consideration and action to occur at a future meeting.
- U. The concession agreement does not affect Makers Square, which is separately managed by Makers Square Master Tenant, LLC (whose managing partner is the Fort Worden Foundation).
- V. At its May 26, 2021 meeting, the FWPDA board moved to approve Resolution 21-03, and then approved a motion to postpone final action until a special meeting on June 2, 2021 to allow for additional input and board consideration.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Fort Worden Lifelong Learning Center Public Development Authority:

The Board authorizes the Interim Executive Director to execute a Concession Agreement with Fort Worden Hospitality in substantially the form of agreement presented to the Board at its regular meeting on May 26, 2021, including changes in the form of agreement presented at the June 2, 2021 special meeting. The Interim Executive Director is authorized to make non-substantive changes that do not materially alter the agreement presented to the Board.

**ADOPTED** by the Board of Directors of the Fort Worden Lifelong Learning Center Public Development Authority at a special meeting thereof, held the 2nd day of June, 2021.

By: \_\_\_\_\_  
Norm Tonina, Co-Chair

ATTEST:

By: \_\_\_\_\_  
Jane Kilburn, Secretary

By: \_\_\_\_\_  
Todd Hutton, Co-Chair

## Memorandum of Agreement - **DRAFT**

### PARTIES:

1. Fort Worden Lifelong Learning Center Public Development Authority (FWPDA)
2. Fort Worden Foundation (Foundation)
3. Makers Square Master Landlord, LLC (Master Landlord) (The managing member is Foundation.)
4. Makers Square Master Tenant, LLC (Master Tenant) (The managing member is Foundation.)
5. Makers Square Manager, LLC (The managing member is Foundation.)

### RECITALS:

- A. By this Memorandum of Agreement (MOA or Memorandum), the parties desire to set forth, confirm, and acknowledge certain understandings, principles and agreements in regard to their collaboration on the Makers Square Project (“Project”) at Fort Worden.
- B. FWPDA is a public development authority organized under the laws of the State of Washington, and has leased portions of Fort Worden State Park pursuant to a Master Lease with the State.
- C. Foundation is a private nonprofit corporation that was formed as a supporting organization under federal tax laws to support the mission of FWPDA. (Since the Project, Foundation has expanded its mission to include support for other entities with a presence at Fort Worden.)
- D. FWPDA undertook planning for the Makers Square Project to rehabilitate certain buildings at Fort Worden, retained architects, developed designs and projections for uses, and developed a project budget, and following FWPDA Board approval, undertook the project.
- E. In developing a project budget, FWPDA identified funding sources that included grants and federal historic tax credits (HTCs). Both grant funding that was available to Foundation and HTCs required participation and collaboration with the Foundation.

Specifically, the process for securing HTCs required new entities (the LLCs) to be created that would be controlled by a private entity, in this case, Foundation. These entities were Makers Square Master Landlord, LLC and Makers Square Master Tenant, LLC, and Makers Square Manager, LLC. FWPDA, working with Foundation, initiated formation of the LLCs.

- F. The HTC structure (again, for the purpose of placing control over the property subject to HTCs in a private entity) required leases for Project buildings from FWPDA to Master Landlord, and from Master Landlord to Master Tenant.
- G. FWPDA and Foundation also agreed that there would be a lease from Master Tenant to Foundation to allow Foundation to manage, on a temporary basis (until termination of the HTC structure) the Project area and facilities. (Separately, the parties agreed that Master Tenant would lease a portion of the Project to KPTZ.)
- H. The HTC structure allowed private investment to be secured for the Project (in return for the HTC investor receiving tax credits). The HTC process resulted in significant funding for the Project.
- I. On the investor's realization of the tax credits, the parties understood and agreed that the LLCs would terminate, and the leases created between FWPDA and Master Landlord, and between Master Landlord and Master Tenant, and between Master Tenant and Foundation would terminate, so that FWPDA would return to its position as controlling entity of these Fort Worden assets leased to FWPDA under the Master Lease (subject to leases entered in by Foundation, and subject to the lease Master Tenant entered into with KPTZ). The HTC structure will likely terminate (once the tax credits are realized) by 2026. The parties agree to cooperate in terminating the HTC structure once the investor notifies the parties it has realized HTC tax credits.
- J. In identifying a budget for the Project, and in the course of developing the Project, FWPDA and Foundation understood and agreed as part of their common interests and enterprise and Foundation supporting role to FWPDA, that FWPDA anticipated receiving, and relied on receiving, receipts from tax credits and grants obtained by Foundation or LLCs, and income from leases or use agreements that would be entered into by Master Tenant or Foundation for facilities developed by the Project, in order to cover and secure debts and obligations incurred by FWPDA. Tax credits that would flow

to Master Tenant would in turn be transferred to FWPDA, and lease receipts (for example, from the KPTZ lease), would likewise be credited to FWPDA, to allow FWPDA to cover debt and expenses.

- K. This Memorandum sets forth the understanding and agreement that all receipts from the Project realized by Master Tenant would flow though to FWPDA (except as the parties agree otherwise in the Memorandum) to secure debts and obligations incurred by FWPDA in the course of the Project and other expenses.
- L. Without these understandings and agreements set forth in this Memorandum, FWPDA would be left with debt and obligations associated with development of the Makers Square Project, while Master Tenant (managed by Foundation) would receive income from Makers Square free of those debts and obligations. But for the understandings and agreements in this Memorandum, FWPDA would not have incurred debts and obligations related to the Makers Square Project and/or incurred other expenses.
- M. In recognition of Foundation's efforts and administration of leases and other activates, the parties agree that from Project lease income Master Tenant receives (not including from KPTZ), Foundation shall be entitled to retain 1.5%.
- N. These Recitals are a material part of this Memorandum, and are intended as effective and binding between the parties

#### AGREEMENT

Now therefore, based on mutual consideration and benefits, and in recognition of Foundation's supporting role and mission to support FWPDA, the parties agree to adhere and be bound by the understandings and agreements set forth in this Memorandum of Agreement.



SIGNATURES

FORT WORDEN LIFELONG LEARNING CENTER PUBLIC DEVELOPMENT  
AUTHORITY

By: \_\_\_\_\_ Date: \_\_\_\_\_  
David Timmons, Executive Director

FORT WORDEN FOUNDATION,  
a Washington nonprofit corporation

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Herb Cook, President

MAKERS SQUARE MASTER LANDLORD, LLC,  
a Washington Limited Liability Company, managing member is  
Foundation

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Herb Cook, President

MAKERS SQUARE MASTER TENANT, LLC,  
a Washington Limited Liability Company, managing member is  
Foundation

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Herb Cook, President

MAKERS SQUARE MANAGER, LLC,  
a Washington Limited Liability Company, managing member is  
Foundation

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Herb Cook, President